

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

INFO CINCPAC HONOLULU HI

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EXDIS

E.O. 11652:GDS

TAGS:EGEN, US, RP

SUBJECT:U.S.-GOP ECONOMIC RELATIONS

REF: MANILA 266

CINCPAC ALSO FOR POLAD

1. FOLLOWING ARE PRELIMINARY DEPARTMENT COMMENTS ON ECONOMIC PROPOSALS REFTEL. FORMAL REPLY WILL OF COURSE REQUIRE CONCURRENCE OTHER AGENCIES NOT YET CONSULTED AND IT DIFFICULT DEVELOP NEW POSITIONS UNTIL WE HAVE WRITTEN REPLY FROM GOP FOR WHICH WE HOPE EMBASSY WILL CONTINUE TO PRESS.

2. AS REGARDS PARA 4 (A) REFTEL, CONCERNING NATIONAL TREATMENT REQUIREMENTS, OUR DRAFT WAS INTENDED TO BE COMPATIBLE
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WITH PHILIPPINE CONSTITUTION, ALTHOUGH WE RECOGNIZED IT WOULD REQUIRE CHANGES IN CERTAIN PHILIPPINE STATUTES- WE DID NOT EXPECT PHILS TO ACCEPT OUR DRAFT, BUT WE HOPED THEY WOULD SUBMIT COUNTERPROPOSAL SUGGESTING HOW FAR THEY ARE

PREPARED TO CHANGE LAWS SUCH AS INVESTMENT INCENTIVES LAW TO ACCOMMODATE OUR NEED FOR NATIONAL TREATMENT. IN PRINCIPLE, WE BELIEVE ACCORDING NATIONAL TREATMENT TO INVESTMENT IS IN BOTH PHIL AND U.S. INTERESTS AND WE WOULD NOT AT THIS POINT BE PREPARED TO CONSIDER AN AGREEMENT THAT LEFT GOP UNRESTRICTED UNILATERAL RIGHT TO DETERMINE FUTURE SCOPE OF NATIONAL TREATMENT, WHICH APPEARS ONLY SOLUTION FULLY COMPATIBLE WITH PRESENT PHIL LAW. WE WOULD EXPECT TREATY TO CONSTITUTE MUTUALLY AGREED STATEMENT OF U.S. AND PHILIPPINE LAW AND POLICY, AND NOT TO CONFLICT WITH THEM IN ANY WAY. NATIONAL TREATMENT FOR AMERICAN INVESTORS, THEREFORE, WOULD HOPE COULD BE ESTABLISHED AS GENERAL PRINCIPLE, SUBJECT TO CERTAIN SPECIFIC EXCEPTIONS.

3. CONCERNING LAND, EXEMPTION OF U.S.-OWNED RESIDENTIAL PROPERTY FROM NATIONAL OWNERSHIP RESTRICTIONS WOULD CLEARLY HELP, AS WOULD ADEQUATE TRANSITION PERIOD FOR OTHER HOLDINGS. BUT THOSE BENEFITS ALONE WOULD NOT CONSTITUTE SATISFACTORY STATUS FOR U.S. BUSINESSMEN, NOR WOULD BETTER DEFINITION OF RETAIL TRADE SEEM ADEQUATE TO COMPLETE INVESTMENT PART OF THE PACKAGE. THESE PROVISIONS WOULD MEET ANXIETIES OF MANY CURRENT INVESTORS, BUT WE ARE CONCERNED ABOUT PROBLEMS THAT MIGHT ARISE IN FUTURE.

4. DEPARTMENT STUDYING CAREFULLY THE FEASIBILITY OF EMBASSY'S PROPOSAL FOR SPECIAL TREATMENT FOR PRODUCTS OF INTEREST TO PHILIPPINES IN CONTEXT OF U.S. SYSTEM OF GENERALIZED PREFERENCES. PROPOSAL CONTAINS TWO COMPONENTS: (A) ADDITION OF PRODUCTS NOT NOW CONTEMPLATED FOR GSP (COCONUT OIL, ABACA, TOBACCO) AND (B) BLANKET EXEMPTION OF PRODUCTS OF SPECIAL INTEREST TO PHILIPPINES FROM GSP COMPETITIVE NEED CEILINGS. (COPRA IS DUTY FREE IN ANY CASE.) AS EMBASSY DOUBTLESS AWARE, THERE ARE SEVERAL PROBLEMS: (A) DOMESTIC PRODUCERS OF COMPETITIVE PRODUCTS MIGHT OBJECT VIGOROUSLY TO ADDITION OF PRODUCTS LIKE COCONUT OIL AND TOBACCO, PARTICULARLY IF MAJOR EXPORTER EXEMPT FROM COMPETITIVE NEED CEILINGS; (B) OTHER COUNTRIES, WITH PER-SECRET

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HAPS EQUALLY VALID CLAIM, WOULD BADGER USG FOR SIMILAR TREATMENT; (C) ARRANGEMENT COULD BE SEEN AS CONTINUATION OF SPECIAL PREFERENCES UNDER GUISE OF GSP, THUS UNDERMINING U.S. OPPOSITION TO EC SPECIAL PREFERENTIAL ARRANGEMENTS.

5. DEPARTMENT ALSO CONSIDERING AT SAME TIME ALTERNATIVE STEPS WE MIGHT TAKE IN TRADE FIELD. IN PREVIOUS DISCUSSIONS WITH PHILIPPINE OFFICIALS ON TARIFF MATTERS, IN WHICH THEY HAVE PRINCIPALLY FOCUSED ON PLYWOOD AND COCONUT OIL, WE HAVE STRESSED MULTILATERAL TRADE NEGOTIATIONS AS FORUM IN WHICH THESE ISSUES MOST SUSCEPTIBLE TO RESOLUTION, AND WE COULD PRESUMABLY INCLUDE TOBACCO, AS WELL. ABACA QUESTION UNDER CONSIDERATION.

6. RE TAXATION TREATY, LAST REPORT WE FIND FROM EMBASSY, TELEGRAM 6936 OF JULY 28, 1972, INDICATES "LITTLE OR NO LIKELIHOOD" GOP RATIFICATION OF TREATY BUT SUGGESTS POSSIBLE INTEREST IN RENEGOTIATION AS PART OF POST-LAUREL-LANGLEY PACKAGE. WOULD APPRECIATE ANY INFORMATION EMBASSY HAS INDICATING EARLIER GOP OPPOSITION TO RATIFICATION HAS CHANGED OR THAT THERE IS INTEREST IN RENEGOTIATION. EMBASSY MAY RECALL THAT U.S. SENATE RATIFIED TREATY, SUBJECT TO RESERVATION REJECTING ARTICLE 18 ON CHARITABLE CONTRIBUTIONS, WHICH MAY HAVE CAUSED PHILIPPINE RESISTANCE.

7. SUGAR QUOTA UNCERTAINTIES HAVE ALREADY BEEN OUTLINED IN OTHER COMMUNICATIONS (STATE 2406, 1547). FYI HOWEVER DEPARTMENT HAS TAKEN POSITION FAVORING RETENTION OF QUOTAS ALTHOUGH ADMINISTRATION POSITION STILL PENDING. END FYI.

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